

Education, Children and Families Committee

10am, Tuesday, 11 June 2024

Early Years Partner Provider – Hourly Rate for Funded Early Learning and Childcare

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 The Education, Children and Families Committee is asked to:
 - 1.1.1 Note the information within this report.
 - 1.1.2 Agree an effective hourly rate increase of 7.6% on the 2023/24 rate to providers with a contract to deliver funded early learning and childcare, with increase backdated to 1 April 2024.

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Early Years Partner Provider – Hourly Rate for Funded Early Learning and Childcare

2. Executive Summary

2.1 Parents in Edinburgh are currently able to access funded early learning and childcare through a variety of providers.

- 104 local authority settings
- 7 local authority forest kindergartens
- 104 private, voluntary and independent sector settings
- 4 childminders

2.2 The Care Inspectorate expects that the following ratios will apply to all children's daycare settings, including out of school care.

Age range	Ratio
0 to under 2 years	1 adult to 3 children
2 to under 3 years	1 adult to 5 children
3 to under 8 years	1 adult to 8 children

2.3 Under Funding Follows the Child, local authorities are required to set an hourly rate that is paid to funded providers in the private and voluntary sectors, including childminder, to deliver the funded entitlement. This rate should be sustainable and reflect national policy priorities, including funding to enable payment of the real Living Wage to all childcare workers delivering the funded entitlement.

2.4 The Scottish Government made a commitment that childcare providers should be paid £12.00 per hour from 1 April 2024. COSLA Leaders agreed to take advice from Resources and CYP spokespeople, in line with advice from LG professional advisors and to apply a **fixed percentage uplift of 7.6%** on 2023/24 hourly rates. There is however no prescribed increase to meal costs.

2.5 The Scottish Government made available additional National funding of £16m to fund this initiative. Edinburgh's share of this is calculated at £1.2m while the

additional costs to pay the full 7.6% are calculated at £1.7¹m which would result in a £0.5m shortfall.

2.6 The Council's approved revenue budget for 2024/25 makes provision for in-year inflationary increases. Following review of the provisional financial outturn for 2023/24 it has been confirmed that £0.5m can be released from the approved contract inflation provision to address the residual shortfall in the cost of applying a 7.6% uplift.

2.7 In April 2024, the Education, Children and Families Committee agreed an increase of 4.8% on the previous hourly rate, based on budget affordability, but instructed officers to bring a further report to the June committee detailing actions that would be required to enable us to pay the full prescribed 7.6%. The 4.8% increase resulted in the undernoted hourly rates.

- £3.10 per meal
- + £6.32 per hour for children aged 3-5 years old, which equates to £6.84 per hour.
- + £6.79 per hour for children aged 2 years old, which equates to £7.31 per hour.

2.8 As set out at paragraphs 2.5 and 2.6 above, work has now been undertaken and if approved we are now in a position to pay the full 7.6% resulting in the undernoted hourly rates.

- £3.10 per meal
- + £6.49 per hour for children aged 3-5 years old, which equates to £7.01 per hour.
- + £6.97 per hour for children aged 2 years old, which equates to £7.49 per hour.

3. Background

3.1 Under section 47(1) of the Children and Young People (Scotland) Act 2014, education authorities must ensure that the statutory amount of funded early learning and childcare entitlement is made available for each eligible child

3.2 Section 48 of the 2014 Act provides the statutory entitlement as 1140 hours of funded early learning and childcare in line with the school year, starting in August. Children eligible from January and April receive a pro rata amount of funded hours for part of a year of which a child is eligible i.e. the term after their third birthday.

3.3 The Scottish Government and COSLA published national guidance Funding Follows the Child and the National Standard for Funded Early Learning and Childcare Providers in December 2018. <https://www.gov.scot/publications/funding->

¹ The estimated cost of policy implementation has been updated to reflect the [plan](#) for delivery of Early Learning and Childcare as reported to the Education, Children and Families Committee on 16 April 2024.

4. Main report

- 4.1 It was noted in the report tabled on 16 April that payment of the full prescribed 7.6% would result in a £700,000 pressure for The City of Edinburgh.
- 4.2 Subsequent recalculations based on updated population figures and an assumed in year reduction in the use of Private Provider places, based on the change to cross boundary provision, has reduced the forecast pressure to £0.5m. It is however important to note that failure to reduce the use of Private Provider places including the management of cross boundary provision would result in the pressure remaining at the previously forecast figure.
- 4.3 The Council's approved revenue budget for 2024/25 makes provision for in-year inflationary increases. Following review of the provisional financial outturn for 2023/24, it is further proposed that additional inflationary provision of £0.5m be allocated to address the pressure in this area. This would effectively address the gap and remove the requirement for the service to make additional savings.
- 4.4 The tables below demonstrate the 4.8% increase agreed at the April committee and the proposed further uplift to reflect a full 7.6%. All increases will be backdated to 1 April 2024.

Age range	Ratio	Agreed Hourly Rate at 4.8%	Proposed Hourly Rate at 7.6%	Total per hour for each member of staff
3 to 5 year olds	1 adult to 8 children	£6.32	£6.49	£50.56 (4.8%) £51.92 (7.6%)

- To provide a like for like comparison this equates to £6.84 per hour at 4.8% or £7.01 per hour at 7.6% when you include the meals payment and is £0.27 or £0.44 per hour higher respectively than the average rate charged by providers for non-funded hours.

Hourly Rate for Terrific 2 year olds

- 4.5 Funded providers will receive the following per hour from April 2024.

Age range	Ratio	Agreed Hourly Rate at 4.8%	Proposed Hourly Rate at 7.6%	Total per hour for each member of staff
2 year olds	1 adult to 5 children	£6.79	£6.97	£33.95 (4.8%) £34.85 (7.6%)

- To provide a like for like comparison this equates to £7.31 per hour at 4.8% or £7.49 per hour at 7.6% when you include the meals payment and is £0.54 or £0.72 per hour higher respectively than the average rate charged by providers for non-funded hours.

Meals

- 4.6 There is no change to the rate of £3.10 paid to partners for the provision of meals.

5. Next Steps

- 5.1 The increase in the hourly rate paid to providers will be backdated to 1 April 2024

6. Financial impact

- 6.1 It is a statutory requirement that expenditure is maintained within available budget; however we are also directed to apply a 7.6% increase to hourly rates. It was previously forecast that this would result in an additional in year pressure and would require the council to direct additional resource from other areas to meet the gap or to alternatively to make additional savings.
- 6.2 Following a review of the overall population numbers and available inflationary resources it is now considered that we are in a position to offer the full 7.6% increase without a requirement for the service to make further savings.

7. Equality and Poverty Impact

Sustainable Rate for Partners

- 7.1 The hourly rate paid to partners should support delivery of a high quality ELC experience for all children and reflect the cost of delivery. The rate should also allow for investment in the setting – staff, resources and physical environment; and, enable payment of the real Living Wage for those staff employed to deliver the funded entitlement.
- 7.2 The rate must also be sustainable for the local authority in terms of the budgets available. The Scottish Government guidance on setting a sustainable rate states the rate paid to partners to delivery funded early learning and childcare should not have a detrimental effect on the local authority's ability to continue to pay for the service in the long-term. It also highlights the wider package of 'in-kind benefits', which are separate to the sustainable rates and are available to the funded provider as part of the contract with the local authority.

8. Climate and Nature Emergency Implications

- 8.1 There are no identified Climate and Nature emergency implications contained in this report.

9. Risk, policy, compliance, governance and community impact

- 9.1 The information in this report meets the requirement of Scottish Government policy and guidance.

10. Background reading/external references

- 10.1 [Funded early learning and childcare \(ELC\) - setting sustainable rates 2024 to 2025: guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/funded-early-learning-and-childcare-2024-to-2025/guidance/pages/introduction.aspx)
- 10.2 [Funding Follows The Child and The National Standard for Early Learning and Childcare Providers: Operating Guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/funding-follows-the-child-and-the-national-standard-for-early-learning-and-childcare-providers-operating-guidance/pages/introduction.aspx)
- 10.3 [Subsidy Control Act 2022 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2022/12/section/1)
- 10.4 [Nursery Guide, Edinburgh and the Lothian's 2024 | Nursery&SchoolGuide \(nurseryandschoolguide.co.uk\)](https://www.nurseryandschoolguide.co.uk/)

11. Appendices

None.